

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 DODE-00 NSAE-00 USIA-06

TRSE-00 ERDA-05 CIAE-00 COME-00 /031 W

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC 709

INFO AMEMBASSY PARIS

AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: ESTC, SP, FR, NL, PINR

SUBJECT: PRE-LICENSE CHECK-INSTITUTO ESPANOL DEL ENVASE Y EMBALAJE,  
S.A., GENERAL YAGUE S/N, BURGOS, SPAIN

REF: STATE 124372

1. EMBOFF CALLED ON BOTH JOAQUIN SABATE, MEXCOSA, AND EMILIO PEREZ DE AGREDA, INI, ON JUNE 2, WITH REGARD CONTEMPLATED PURCHASE FROM EH RESEARCH LABORATORIES, INC. AS EXPLAINED BY SABATE, AND CONFIRMED BY PEREZ DE AGREDA, PLANNED PURCHASE IS IN ANTICIPATION OF FORMATION OF NEW COMPANY FOR DEVELOPING STANDARDIZED PACKAGING AND PRODUCTION OF SAME IN BURGOS FACTORY. AT PRESENT MAJOR OBSTACLE IS LACK OF FUNDS AND FATE OF PLAN DEPENDS ON SUCCESS IN OBTAINING FOREIGN FINANCING. EFFORTS ARE BEING MADE TO INTEREST CERTAIN ARAB FINANCIAL SOURCES IN PROVIDING CREDIT. AMONG THESE EFFORTS, ACCORDING TO SABATE, WAS SOME CONTACTS WITH OFFICIAL PARTY OF SAUDI ARABIA PRINCE FAHD DURING HIS VISIT TO MADRID ON JUNE 1.

2. THE NATIONAL INSTITUTE OF INDUSTRY (INI) IS A SPANISH GOVERNMENT AGENCY WHICH CONTROLS A LARGE NUMBER OF FIRMS IN SPAIN, INCLUDING IBERIA AIRLINES, AVIACO AIRLINES, AND LARGE PETROCHEMICAL FIRMS. HOWEVER, AS EXPLAINED BY SABATE AND PEREZ DE AGREDA, INI DOES NOT HAVE ANY CONNECTION WITH THE PLANNED EH PURCHASE. PEREZ DE AGREDA  
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IS CHIEF OF PUBLIC RELATIONS FOR INI, AND HE IS ALSO DIRECTOR GENERAL OF THE "INSTITUTO ESPANOL DEL ENVASE Y EMBALAJE, S.A.," WHICH IS NOT AFFILIATED WITH INI. IN THE LATTER ROLE HE HAS JOINED WITH SEVERAL OTHER SPANISH BUSINESSMEN, INCLUDING SABATE, IN PLANS TO DEVELOP AND BUILD THE PACKAGING INSTITUTE/FACTORY. EMBOFF ASKED SABATE WHY HE HAD INDICATED ON LICENSE APPLICATION THAT THERE WAS AN AFFILIATION WITH INI. SABATE CLAIMED THAT HE AND HIS

ASSOCIATES HAD ORIGINALLY PLANNED TO SEEK TIES WITH INI FOR PURPOSES OF OBTAINING FUNDS: HOWEVER, HE SAID THEY SUBSEQUENTLY DECIDED THAT THE OVERHEAD COSTS OF INI AFFILIATION WERE EXCESSIVE FOR THE RETURNS RECEIVED AND FOR THAT REASON THEY DECIDED TO GO INDEPENDENT.

3. NEITHER SABATE NOR PEREZ DE AGREDA WERE ABLE TO PROVIDE ANY DOCUMENTATION RELATING TO TRANSACTION, SUCH AS SOURCE OF FUNDS (THEY ARE STILL SEEKING SAME), ENGINEERING REPORTS SHOWING NEED FOR SUCH EQUIPMENT (SABATE SAID THAT GROUP HAD AVAILABLE A SOURCE OF "EXPERT ENGINEERS" IN FIELD WHO HAD RECOMMENDED THIS EQUIPMENT), LETTER OF CREDIT, ETC.

4. EMBOFF ASKED THAT WTDR INFORMATION BE SUBMITTED ON BOTH MEXCOSA AND THE INSTITUTO ESPANOL DEL ENVASE Y EMBALAJE, S.A. TO DATE NEITHER HAS BEEN PROVIDED. SINCE THERE IS NO PLANT FACILITY YET AT BURGOS EMBOFF DID NOT DISCUSS NEED FOR VISIT TO INSPECT PLANT. ACCORDING TO SABATE HE AND HIS ASSOCIATES HAVE A SPECIFIC AREA IN MIND FOR THE PLANT, BUT THEY ARE ENCOUNTERING PROBLEMS WITH LOCAL ZONING AUTHORITIES IN BURGOS WHO ARE TRYING TO CHANGE THE AREA FROM AN INDUSTRIAL ZONE TO RESIDENTIAL ZONE. SABATE CLAIMED THAT THE LICENSE WAS NEEDED TO FACILITATE PROCUREMENT OF FUNDING FOR THE VENTURE. EMBOFF EXPLAINED THAT NORMALLY SUCH LICENSES COULD NOT BE ISSUED UNTIL CONDITIONS FOR INSTALLATION AND UTILIZATION OF EQUIPMENT WERE MORE FIRM.

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5. COMMENT AND RECOMMENDATION: EMBOFF WAS UNABLE TO MAKE DETERMINATION AS TO AUTHENTICITY OF PROPOSED END-USE FOR EH EQUIPMENT GIVEN THE FACT THAT THE ENTIRE VENTURE IS IN THE EARLY PLANNING STAGES, I.E. SEEKING FUNDS TO START BUSINESS AND WITH NO CONSTRUCTION ON PLANT FACILITY. SABATE'S RATHER DETAILED ACCOUNT OF POOR STATE OF SPANISH PACKAGING INDUSTRY AND NEED FOR DEVELOPMENT OF STANDARDS FOLLOWED BY MASS PRODUCTION OF MATERIALS WOULD APPEAR PLAUSIBLE. FURTHER PEREZ DE AGREDA HOLDS RESPONSIBLE POSITION WITH INI AND IS WELL AND FAVORABLY KNOWN TO ONE EMBASSY OFFICER. HOWEVER, EMBASSY INVESTIGATOR WAS UNABLE TO DETERMINE FROM EXTENDED TALKS WITH BOTH SPANISH APPLICANTS EXACTLY HOW EH EQUIPMENT WOULD BE UTILIZED IN THIS VENTURE. IN VIEW OF THE HIGH DEGREE OF UNCERTAINTY SURROUNDING THIS CASE AT PRESENT, EMBASSY RECOMMENDS THAT LICENSE NOT BE ISSUED. STABLER

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## Message Attributes

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**TAGS:** ESTC, PINR, SP, FR, NL, INST ESPANOL DEL ENVASE Y EMBALAJE, EH RESEARCH LABORATORIES INC  
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**Review Markings:**  
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